

# SOURCE SELECTION PRIMER

## *Source Selection Objective*

- Select the proposal that represents the best value

## *Best Value*

- The expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement

## *Best Value Continuum<sup>1</sup>*

- Obtain best value by using any one or a combination of source selection approaches
  - Lowest Price Technically Acceptable
    - Appropriate when best value is expected to result from selection of the technically acceptable proposal with the lowest evaluated price.
  - Tradeoff
    - Appropriate when it may be in the best interest of the Government to consider award to other than the lowest priced offeror or other than the highest technically rated offeror

## *Lowest Price Technically Acceptable Approach*

- The evaluation factors and significant subfactors that establish the requirements of acceptability shall be set forth in the solicitation
- Solicitations shall specify that award will be made on the basis of the lowest evaluated price of proposals meeting or exceeding the acceptability standards for non-cost factors
- Past performance (one indicator of an offeror's ability to perform the contract successfully) need not be an evaluation factor in lowest price technically acceptable source selections (Contracting Officer determination)
  - If past performance is evaluated and Contracting Officer determines that a small business' past performance is not

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<sup>1</sup> OMB Circular A-76 (Revised) dated May 29, 2003 prescribes three types of source selection processes for standard comparisons: (1) lowest price technically acceptable, wherein all offers and tenders are opened and evaluated to determine technical acceptability with the performance decision based on the lowest cost of all offers and tenders determined to be technically acceptable; (2) phased evaluation, wherein technical capability is evaluated in phase one (to include evaluation of alternate performance standards and amendment of the solicitation (and resubmission of offers) to incorporate accepted alternate performance standards (if any)) and cost (price analysis and cost realism) in phase two with performance decision based on the lowest cost of all offers and tenders determined to be technically acceptable at the end of phase one; and (3) tradeoff, wherein and offer or tender that is not the lowest price may be selected if within the agency's budgetary limitation (limited to information technology activities, commercial activities performed by a private sector source, new requirements, segregable expansions, and for a specific standard competition if prior to public announcement, the Competitive Sourcing Official approves in writing and notifies/forwards written approval to OMB; tradeoff process may not otherwise be used for activities currently performed by government personnel).

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acceptable, must be referred to the Small Business Administration for a Certificate of Competency

- Tradeoffs are not permitted
- Proposals are evaluated for acceptability but not ranked using the non-cost/price factors
- Exchanges may occur

### *Tradeoff Approach<sup>2</sup>*

- All evaluation factors and significant subfactors that will affect contract award and their relative importance shall be clearly stated in the solicitation
- The solicitation shall state whether all evaluation factors other than cost of price, when combined, are significantly more important than, approximately equal to, or significantly less important than cost or price
- Permits tradeoffs among cost or price and non-cost factors and allows the Government to accept other than the lowest priced proposal
  - Perceived benefits of the higher priced proposal shall merit the additional cost, and the rationale for tradeoffs must be documented

### *Source Selection Evaluation Factors and Significant Subfactors<sup>3</sup>*

- Award decision is based on evaluation factors and significant subfactors that are tailored to the acquisition
- Evaluation factors and significant subfactors must
  - Represent key areas of importance and emphasis to be considered in the source selection decision
  - Support meaningful comparison and discrimination between and among competing proposals
- Evaluation factors and significant subfactors that apply to an acquisition and their relative importance are within the broad discretion of agency acquisition officials subject to
  - Price or cost to the Government shall be evaluated in every source selection

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<sup>2</sup> OMB Circular A-76 (Revised) dated May 29, 2003 states that (1) solicitations shall identify specific weight given evaluation factors and subfactors, including cost or price, (2) the specific weight given to cost or price shall be at least equal to all other evaluation factors combined unless quantifiable performance measures can be used to assess value and can be independently evaluated, (3) the quality of competition will be enhanced by using, to the extent practicable, evaluation factors and subfactors susceptible to objective measurement or evaluation, and (4) to encourage prospective offers and tenders that fall within budgetary constraints, and agency may include a not-to-exceed cost clause in the solicitation.

<sup>3</sup> OMB Circular A-76 (Revised) dated May 29, 2003 states that to the extent practicable, evaluation factors shall be limited to commonly used factors (e.g., a demonstrated understanding of the government's requirements, technical approach, management capabilities, personnel qualifications, manufacturing plan, facilities and equipment).

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- Quality of the product or service shall be addressed in every source selection through consideration of one or more non-cost evaluation factors such as past performance, compliance with solicitation requirements, technical excellence, management capability, personnel qualifications, and prior experience
- Past performance shall be evaluated in all source selections for negotiated competitive acquisitions expected to exceed \$1,000,000, however, the Contracting Officer may, as in the Lowest Price Technically Acceptable approach, determine that past performance is not an acceptable factor for the acquisition in which case it need not be evaluated
  - For solicitations involving bundling that offer a significant opportunity for subcontracting, a factor must be included to evaluate past performance indicating the extent to which the offeror attained goals for small business participation under contracts that required subcontracting plans
- Extent of participation of small disadvantaged business concerns in performance of the contract shall be evaluated in unrestricted acquisitions expected to exceed \$500,000 (\$1,000,000 for construction)
- For solicitations involving bundling that offer a significant opportunity for subcontracting, include proposed small business subcontracting participation in the subcontracting plan as an evaluation factor
- All factors and significant subfactors that will affect contract award and their relative importance shall be stated clearly in the solicitation
  - Rating method need not be disclosed
  - General approach for evaluating past performance information shall be described
- Solicitation shall also state, at a minimum, whether all evaluation factors other than cost or price, when combined, are
  - Significantly more important than cost or price
  - Approximately equal to cost or price
  - Significantly less important than cost or price

### *Proposal Evaluation*<sup>4</sup>

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<sup>4</sup> OMB Circular A-76 (Revised) dated May 29, 2003 states that to decrease the complexity of performing source selections, the solicitation may include a cross-reference compliance matrix in section L of the solicitation and that the compliance matrix should clearly identify proposal reference information as it relates to the performance work statement, contract line item numbers, solicitation sections L and M, proposal volume and section, and, if appropriate, contract data requirements list references; the matrix should be modified to account for proposed performance standards that differ from the solicitation requirements.

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- An assessment of the proposal and the offeror's ability to perform the prospective contract successfully
- Evaluate competitive proposals and then assess their relative qualities solely of the factors and subfactors specified in the solicitation
- Evaluations may be conducted using any rating method or combination of methods, including color or adjectival ratings, numerical weights, and ordinal rankings
- Relative strengths, deficiencies, significant weaknesses and risks supporting proposal evaluation shall be documented
- Cost or price evaluation<sup>5</sup>
  - Normally, competition establishes price reasonableness
    - When contracting on a firm-fixed-price or fixed-price with economic price adjustment basis, comparison of the proposed prices will usually satisfy the requirements to perform a price analysis, and a cost analysis need not be performed
  - In limited situations, a cost analysis may be appropriate to establish reasonableness of the otherwise successful offeror's price
  - When contracting on a cost-reimbursement basis, evaluations shall include a cost realism analysis to determine what the Government should realistically expect to pay for the proposed effort, the offeror's understanding of the work, and the offeror's ability to perform the contract
- Past performance evaluation<sup>6</sup>
  - One indicator of an offeror's ability to perform the contract successfully
    - The currency and relevance of the information, source of the information, context of the data, and general trends in contractor's performance shall be considered
    - This comparative assessment of past performance information is separate from the Contracting Officer's affirmative responsibility determination
  - Solicitation shall describe the approach for evaluating past performance, including evaluating offerors with no relevant performance history

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<sup>5</sup> OMB Circular A-76 (Revised) dated May 29, 2003 prescribes the use of price analysis and cost realism on all three source selection approaches (i.e., lowest price technically acceptable, phased evaluation, and tradeoff) regardless of the contract type. Cost analysis is not required for a standard competition but may be performed at the discretion of the source selection authority.

<sup>6</sup> OMB Circular A-76 (Revised) dated May 29, 2003 states that past performance information is not required in the agency tender unless the agency tender is based on an MEO that has been implemented in accordance with the aforementioned revised circular or a previous OMB Circular A-76.

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- Provide offerors opportunity to identify past or current contracts (including Federal, State, and local government and private) for efforts similar to the Government requirements
  - Authorize offerors to provide information on problems encountered on the identified contracts and the offeror's corrective actions
  - Consider submitted information as well as information obtained from any other sources when evaluating past performance
  - The source selection authority determines relevance of past performance information
- Evaluation should take into account past performance information regarding predecessor companies, key personnel who have relevant experience, or subcontractors that will perform major or critical aspects of the requirement when such information is relevant to the instant acquisition
- An offeror without a record of relevant past performance or for whom information on past performance is not available may not be evaluated favorably or unfavorably on past performance
- Evaluation should include past performance of offerors in complying with subcontracting plan goals for small disadvantaged business concerns, monetary targets for small disadvantaged business participation, and notifications small disadvantaged business substitutions
- Technical Evaluation
  - When tradeoffs are performed, the source selection records shall include
    - An assessment of each offeror's ability to accomplish the technical requirements
    - A summary, matrix, or quantitative ranking, along with appropriate supporting narrative, of each technical proposal using the evaluation factors
- Cost Information
  - Cost information may be provided to members of the technical evaluation team
- Small Business Subcontracting Evaluation<sup>7</sup>
  - Solicitations must be structured to give offers from small business concerns the highest rating for small business and small disadvantaged business participation (bundling)

### *Source Selection Decision*<sup>8</sup>

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<sup>7</sup> OMB Circular A-76 (Revised) dated May 29, 2003 states that an agency tender is not required to include a small business strategy, a subcontracting goal, or participation of small disadvantaged businesses.

## SOURCE SELECTION PRIMER

- Based on a comparative assessment of proposals against all source selection criteria in the solicitation
- Notwithstanding use of reports and analyses prepared by others, decision represents the source selection authority's independent judgment
- Decision shall be documented and the documentation shall include the rationale for any business judgments and tradeoffs made or relied on by the source selection authority, including benefits associated with additional costs
  - Documentation need not quantify the tradeoffs that led to the decision

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<sup>8</sup> OMB Circular A-76 (Revised) dated May 29, 2003 states that PWS team members who are not directly affected government personnel may participate on the source selection evaluation board and that directly affected personnel (and their representatives) and any individual (including, but not limited to, the Agency Tender Official, Human Resource Advisor, MEO team members, advisors, and consultants) with knowledge of the agency tender (including the MEO and agency cost estimate) shall not participate in any manner on the source selection evaluation board (e.g., as members or advisors).